

2017 ANNUAL ENFORCEMENT REPORT



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

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MESSAGE FROM THE PRESIDENT & CEO

I am pleased to present the 2017 Annual Enforcement Report which highlights key enforcement activity over the course of 2017.

In 2017 the MFDA continued to pursue its goals to promote investor confidence and strengthen industry expertise through the enforcement of its investor protection focused rules such as the suitability standard, the know-your-client obligation and rules regarding conflicts of interest. We also remain committed to providing meaningful education to MFDA dealers and advisors, and in 2017 the MFDA held its first ever Risk Management Conference which focused on regulatory areas relevant to investor protection including cybersecurity, systemic risk and fraud prevention.

As set out in this report the enforcement department has continued to focus its attention on dealer issues such as supervision and complaint handling and in 2017 completed the first proceeding against a dealer by any Canadian securities regulator addressing sales incentives, marketing and educational practices under National Instrument 81-105.

2017 saw an increase in enforcement activity with 121 cases commenced in the year. This is the highest number of proceedings issued in a calendar year by the MFDA and is due in part to both the enforcement department's use of efficient and flexible enforcement processes, and through increased detection by dealers of advisor wrong-doing. Such increased activity is evidence of both the MFDA's and its Members' combined commitment to the protection of investors and to hold those who breach MFDA rules accountable.

I would like to encourage all readers to review the case highlights in this report as each case illustrates the significant consequences for dealers and advisors who commit serious breaches of MFDA rules; particularly

when such activities involve a breach of the public trust. Going forward the enforcement department will continue to focus on its core mandate to protect investors through the rigorous enforcement of MFDA rules relating to both advisor and dealer obligations.

Finally I would like to thank all MFDA management and staff for their hard work and dedication. As an SRO responsible for regulating the distribution of mutual funds, which are the most widely held investment product by retail investors, there is no doubt that our collective efforts have had a large impact on enhancing investor protection across Canada.

Sincerely,



Mark T. Gordon, LL.B.
President and CEO



ABOUT US

Mutual Fund Dealers Association of Canada

The Mutual Fund Dealers Association of Canada (“MFDA”) is the national self-regulatory organization (“SRO”) for mutual fund dealers. The MFDA is structured as a not-for-profit corporation and its Members are mutual fund dealers that are licensed with provincial and territorial securities regulators.

The MFDA is formally recognized as an SRO by the provincial and territorial securities regulators in Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Prince Edward Island and Saskatchewan. An application for recognition is pending before the Superintendent of Securities of Newfoundland and Labrador. The MFDA has also entered into a Co-Operative Agreement with the Autorité des marchés financiers and actively participates in the regulation of mutual fund dealers in Quebec.

As an SRO, the MFDA is responsible for regulating the operations, standards of practice and business conduct of its Members and their representatives with a view to enhancing investor protection and strengthening public confidence in the Canadian mutual fund industry. As of December 31, 2017, the MFDA has 91 Members. These Members have approximately \$700 billion of assets under administration. MFDA Members are registered in every province and territory of Canada and service approximately 9 million households.

Enforcement Department

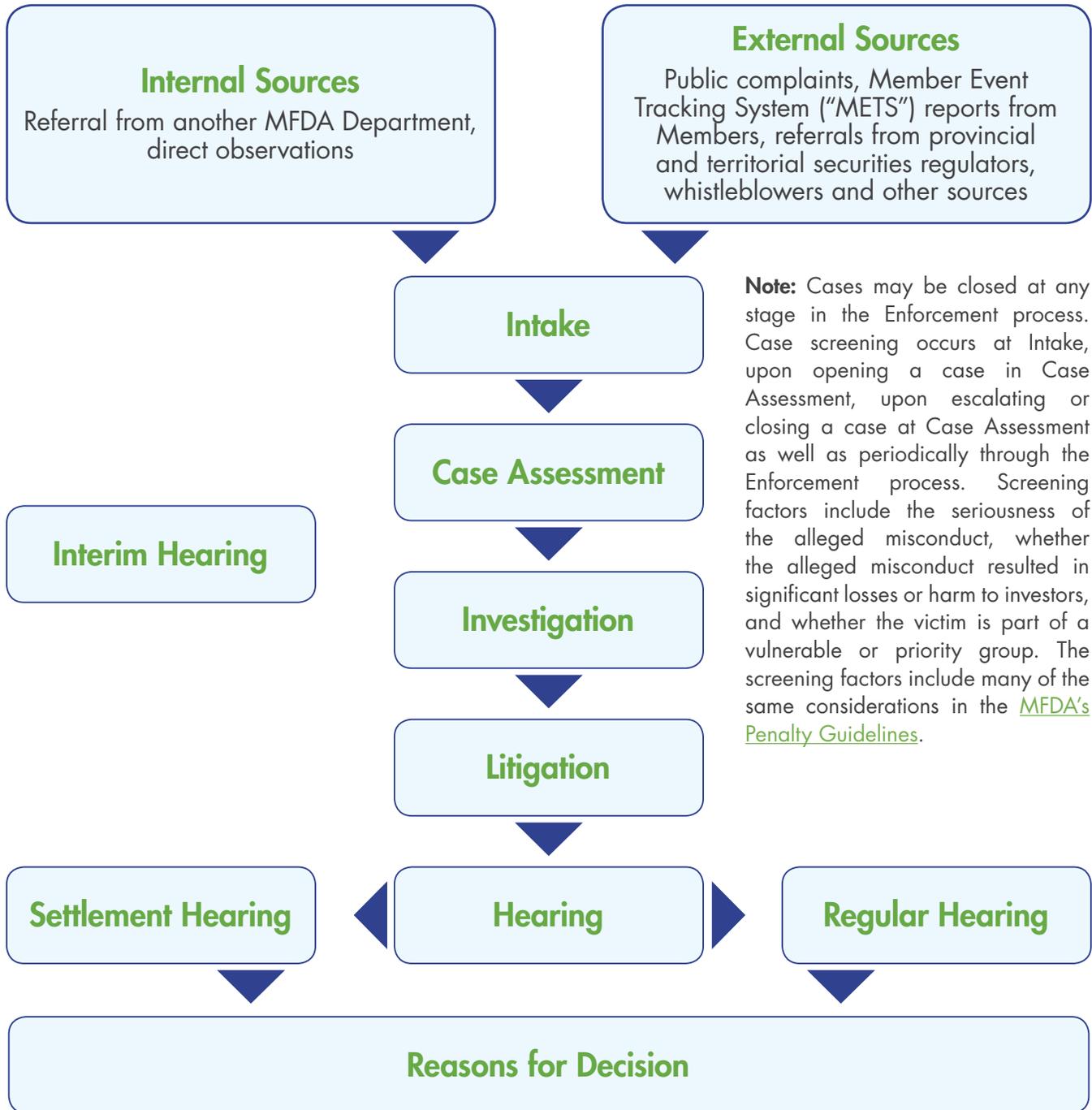
The Enforcement Department investigates situations where our Members and their Approved Persons may have breached our requirements. The Enforcement Department operates on several general principles:

- The Enforcement Department considers general and specific deterrence in its decision making.
- Members and Approved Persons are provided opportunity for input before a decision is made on disciplinary action, except in urgent cases involving potential public harm.
- In all cases, the level of supervision by the Member of its Approved Persons will be part of the review.
- Cases are reviewed proactively, with a view to identifying possible associated misconduct and assessing root causes.
- The Enforcement Department works on a cooperative basis with other regulatory agencies and law enforcement organizations.
- The Enforcement Department works on a cooperative basis with the MFDA Compliance and Policy Departments to refer cases and issues where appropriate.

The Enforcement Department has four main functions: Intake, Case Assessment, Investigations and Litigation.



ENFORCEMENT PROCESS



Note: MFDA By-law No. 1 allows for the appeal of an MFDA Hearing Panel decision to the relevant securities regulator.

STATISTICS

TABLE 1: Overview of Enforcement Department Activity (2015-2017)

The table below summarizes overall activity for the Enforcement Department.

DESCRIPTION	NUMBER		
	2015	2016	2017
CASES OPENED	444	446	469
CASES CLOSED	361	450	438
WARNING LETTERS	85	120	111
CAUTIONARY LETTERS	86	86	73
PROCEEDINGS COMMENCED	69	111	121

Warning Letters are issued in circumstances where the violation is one that the MFDA could have escalated to a formal disciplinary hearing, but has chosen not to due to screening factors. Cautionary Letters are issued when the violation is minor or less serious in nature and one that the MFDA would not generally escalate to a formal disciplinary hearing. While Cautionary Letters are disciplinary in nature, they are often issued for educational purposes.

TABLE 2: Cases Opened at Case Assessment by Source (2015-2017)

The table below lists the sources from which the Enforcement Department became aware of information that led to a case being opened at the Case Assessment stage.

SOURCE	NUMBER		
	2015	2016	2017
MEMBER EVENT TRACKING SYSTEM ("METS")	281	246	310
PUBLIC	123	145	119
MFDA COMPLIANCE	9	26	16
CSA AND OTHER REGULATORS	18	15	11
WHISTLEBLOWER	6	4	5
FINANCIAL INDUSTRY PARTICIPANT*	N/A	N/A	4
MEMBER	4	9	2
OTHER	N/A	N/A	2
MEDIA	2	1	N/A
POLICE	1	N/A	N/A
TOTAL	444	446	469

*an individual who works in the Financial Industry.

In 2017, 217 Case Assessment files were referred to Investigations.

A case is escalated from the Case Assessment stage to the Investigations stage in two circumstances:

- 1** When the case will likely result in a Notice of Hearing.
- 2** In more complex cases where a detailed investigation is required.

TABLE 3: Primary Allegations Made in Cases Opened at Case Assessment (2015-2017)

The table below lists the primary allegation made in cases opened at the Case Assessment stage.

NATURE OF PRIMARY ALLEGATION	NUMBER OF PRIMARY ALLEGATIONS		
	2015	2016	2017
PRE-SIGNED FORMS*	61	129	91
SUITABILITY – INVESTMENTS	45	42	52
BUSINESS STANDARDS	32	25	32
ACTIVE SIGNATURE FALSIFICATION*	–	–	31
COMMISSIONS AND FEES	12	22	27
UNAUTHORIZED/DISCRETIONARY TRADING	39	27	27
OUTSIDE ACTIVITIES/DUAL OCCUPATION	9	9	27
FALSIFICATION/MISREPRESENTATION	56	11	22
PERSONAL FINANCIAL DEALINGS	12	18	19
COMPLAINT PROCEDURES	33	16	18
SUITABILITY – LEVERAGING	29	26	17
ACTING OUTSIDE REGISTRATION STATUS	9	6	15
CONFLICT OF INTEREST	5	8	14
SUPERVISION	13	17	14
POLICIES AND PROCEDURES	14	11	12
FORGERY/FRAUD/THEFT/MISAPPROPRIATION/MISAPPLICATION	12	9	11
TRANSFER OF ACCOUNTS	7	21	10
BOOKS/RECORDS/CLIENT REPORTING	4	4	5
DISCLOSURE	1	–	5
PROVINCIAL SECURITIES LEGISLATION	4	10	4
KNOW-YOUR-PRODUCT	5	1	3
OTHER	42	34	13
TOTAL NUMBER OF PRIMARY ALLEGATIONS	444	446	469

* Effective 2017, the pre-signed forms category was divided into pre-signed forms and active signature falsification.

TABLE 4: Proceedings Commenced (2017) – All Allegations

The MFDA commenced 121 proceedings in 2017 by Notice of Hearing or Notice of Settlement Hearing. Many of the proceedings involved more than one alleged violation of MFDA Rules, By-laws or Policies.

NATURE OF ALLEGATION	NUMBER OF PRIMARY ALLEGATIONS	NUMBER OF ALLEGATIONS AGAINST MEMBERS
PRE-SIGNED FORMS	56	-
FALSIFICATION/MISREPRESENTATION	43	-
POLICY AND PROCEDURES	35	-
ACTIVE SIGNATURE FALSIFICATION	28	-
FAILURE TO COOPERATE	22	1
UNAUTHORIZED/DISCRETIONARY TRADING	15	-
SUITABILITY – LEVERAGING	13	-
SUITABILITY – INVESTMENTS	11	1
CONFLICT OF INTEREST	10	1
SUPERVISION	6	5
FORGERY/FRAUD/THEFT/ MISAPPROPRIATION/MISAPPLICATION	9	-
PERSONAL FINANCIAL DEALINGS	8	-
KYC DOCUMENTATION DEFICIENCY	7	-
OUTSIDE ACTIVITY	6	1
REFERRAL ARRANGEMENTS	4	1
ACTING OUTSIDE REGISTRATION STATUS	4	-
BUSINESS STANDARDS	4	-
REPORTING VIOLATIONS	3	1
SECURITIES REGULATOR'S ORDER	3	1
COMPLAINT PROCEDURES	2	1
KNOW-YOUR-PRODUCT	2	1
BOOKS/RECORDS/CLIENT REPORTING	2	-
CONDUCT UNBECOMING	2	-
PROVINCIAL SECURITIES LEGISLATION	-	1
SALES COMMUNICATION	1	-
SUB-TOTAL	296	15
TOTAL	311	

In 2017, 151 Investigation files were escalated to Enforcement Counsel with a recommendation to commence formal disciplinary proceedings.

TABLE 5: Proceedings Concluded (2015-2017) – Type of Penalty

In 2017, the Enforcement Department concluded 133 hearings. In those 133 hearings, MFDA Hearing Panels imposed fines of \$8,498,250 of which \$1,865,673 (approximately 22%) has been collected. Since the commencement of MFDA disciplinary activity in 2004, MFDA Hearing Panels have imposed total fines of \$81,618,211 of which \$8,931,315 (approximately 11%) has been collected.

MFDA By-laws provide the power to collect fines from Respondents who remain as Members or Approved Persons and we collect all such fines.

Under provincial statutes in Alberta and Prince Edward Island, the MFDA has the power to collect fines from former Respondents who have left the industry. Recently, the MFDA was also given collection powers in Ontario. MFDA staff makes all reasonable efforts to collect any outstanding fines from former Respondents in provinces where we have those collection powers.

The table below shows the penalties imposed against Members and Approved Persons by Hearing Panels in hearings concluded between 2015-2017.

TYPE OF PENALTY	2015	2016	2017
PERMANENT PROHIBITION	19	22	22
SUSPENSION	6	26	48
EDUCATIONAL COURSE REQUIREMENT	2	5	13
REPRIMAND	-	-	1
TERMS AND CONDITIONS	-	-	1
TOTAL FINES	\$5,389,650	\$21,104,750	\$8,498,250
TOTAL COSTS	\$479,500	\$496,000	\$536,500

TABLE 6: Hearings Concluded (2015-2017) – Type of Hearing

TYPE OF HEARING	2015	2016	2017
CONTESTED/UNCONTESTED HEARING	29	34	22
SETTLEMENT HEARING	36	51	111
TOTAL NUMBER OF HEARINGS	65	85	133

KEY ENFORCEMENT ACTIVITY

Dealer Sales Incentives, Marketing and Educational Practices

The MFDA has identified sales incentives, marketing and educational practices at dealers that may impact the sale of products to clients and could potentially give rise to conflicts of interest. In addition, these sales incentives, marketing and educational practices may not comply with the requirements set out in National Instrument 81-105. These programs were identified, in part, through a project known as the Targeted Review of Member Compensation and Incentive Programs conducted in collaboration with provincial and territorial securities regulators and the Investment Industry Regulatory Organization of Canada, as part of a larger initiative to coordinate compliance efforts on common issues.

In December 2017, an MFDA Hearing Panel accepted a Settlement Agreement with Sun Life Financial Investment Services (Canada) Inc. which addressed, among other things, its failure to establish and maintain an adequate system of controls and supervision to ensure that it complied with securities legislation relating to internal dealer sales incentives, marketing and educational practices. This case is summarized in the Case Highlights section of this report.

Concentration

The MFDA is continuing its efforts to address concentration. Accounts that are concentrated in a single investment or sector can be subject to greater volatility and pose greater risk than those that are well diversified. As part of the supervisory process, Members should assess concentration risk in exempt securities and in certain higher risk sector mutual funds, such as precious metals and resource funds. The MFDA has commented on the importance of concentration criteria as part of the supervisory process in Staff Notice MSN-0069 (Suitability) and in Bulletin #0678C.

MFDA Hearing Panels have accepted that there is an inherent danger in concentrating a client's holdings of securities in a given sector of the economy. Also, in some of those concentration cases Hearing Panels have also found that Approved Persons breached their suitability obligations by recording inaccurate Know-Your-Client information to fit the investment recommendations, withholding or not presenting negative information and providing an unrealistic and optimistic description of a highly risky investment product and strategy.

In 2017, the MFDA completed cases against Members and Approved Persons relating to concentration. Some of these cases are summarized in the Case Highlights section of this report.

“Accounts that are concentrated in a single investment or sector can be subject to greater volatility and pose greater risk than those that are well diversified.”

Focus on Complaint Handling

Throughout the course of 2017, all levels of the Enforcement Department continued to focus on the timeliness and fairness of Member complaint handling. At the outset, the timeliness and fairness of Member complaint handling is reviewed in every case where a client complaint is present.

The Case Assessment group continues to house a specialized function dedicated to the review of complex complaint handling cases. The use of a specialized function has several benefits including consistency of staff approach when assessing complaint handling and completeness of the review of Member complaint handling.

Prior to 2017, the MFDA completed two settlement hearings against Members for failing to handle complaints fairly. In June of 2017, the MFDA issued a Notice of Hearing against a third Member alleging that the Member failed to handle three client complaints in a fair manner.

Enforcement Proceedings

The chart below shows the total number of formal enforcement proceedings commenced in the last five years. It also shows for each year how many of those proceedings were commenced utilizing the bulk track process that provides for a more efficient process in cases where a violation of MFDA requirements is not disputed by the Respondent.

The recent increase in hearings is due primarily to an increase in signature falsification cases detected and reported by Members.

YEAR	PROCEEDINGS COMMENCED	BULK TRACK CASES
2017	121	75
2016	111	52
2015	69	36
2014	48	10
2013	65	20

Member Cases

YEAR	PROCEEDINGS COMMENCED
2017	5
2016	11
2015	4
2014	3
2013	4

CASE HIGHLIGHTS

MEMBER CASES

1 Sun Life Financial Investment Services (Canada) Inc.

Reasons for Decision: March 5, 2017

This case dealt with failures by Sun Life Financial Investment Services (Canada) Inc. ("Sun Life") to adequately supervise internal dealer sales incentive, marketing and educational practices, to ensure compliance with securities legislation. The case also addresses failures by Sun Life relating to its supervision of leveraging, concentration, METS reporting, suitability of deferred sales charge ("DSC") mutual funds, and trade supervision. Sun Life entered into a Settlement Agreement and admitted the contraventions described below.

As part of its compensation program for Approved Persons, Sun Life maintained the Commissions on Release ("CORe") Program and the Auxiliary Commission Program, which created sales incentives for its Approved Persons to distribute mutual funds offered by CI Investments and Sun Life Global Investments Inc. ("SLGI"), rather than mutual funds offered by other third parties. In addition, six Sun Life branches operated sales programs whereby Approved Persons were eligible to receive non-monetary prizes based, in part, on the amount of SLGI mutual funds sold to clients, rather than mutual funds offered by third parties. These programs did not comply with the sales incentives provisions in NI 81-105. Lastly, Sun Life held seven conferences for its Approved Persons where a portion of the costs of the conferences were paid by mutual fund companies where the "primary purpose" of the conferences was not the provision of educational information, as required under NI 81-105. Sun Life also failed to ensure that it complied with requirements that limit the amount of payment it could receive from mutual fund companies towards the costs of the conferences.

Sun Life did not adequately supervise the suitability of leverage, concentration risk, and the sale of DSC

mutual funds. In addition, Sun Life failed to report events on the METS System on a timely basis and closed a trade query without obtaining evidence that the client had authorized the trade.

Sun Life revised its policies and procedures to address the requirements of NI 81-105, enhanced its compliance infrastructure, and implemented a remediation plan to address clients affected by leveraging, concentration risk and the sale of DSC mutual funds.

The Hearing Panel accepted the terms of the Settlement Agreement and imposed a fine of \$1,700,000 and costs of \$100,000.

2 HollisWealth Advisory Services Inc.

Reasons for Decision: March 27, 2017

This case dealt with HollisWealth Advisory Services Inc.'s ("HollisWealth") failure to adequately supervise three of its Approved Persons, to ensure that accurate Know-Your-Client ("KYC") information was recorded for clients.

Between November 2004 and January 2013, Approved Persons Boyd Yahn ("Yahn") and Shelley Will ("Will") recommended an investment strategy which resulted in clients being highly concentrated in precious metals sector funds. To implement the strategy, Yahn and Will collected uniform KYC information for their clients.

By late 2007 or early 2008, HollisWealth's compliance officers were aware of suitability concerns with respect to the investment strategy. Rather than requiring Yahn

and Will to cease recommending the investment strategy and collecting uniform KYC information, HollisWealth created an Acknowledgement and Release to be signed by clients, which would allow existing clients to remain concentrated in precious metals sector funds and release HollisWealth from its suitability obligations with respect to the investment strategy.

Similarly, between June 2004 and December 2014, Approved Person Roland Lemay ("Lemay") recommended an investment strategy whereby the clients would invest in a single precious metals sector fund, and recorded uniform KYC information for each of his clients to ensure that investments appeared to be suitable.

Between February 2007 and April 2011, HollisWealth made at least 45 queries in respect of trades submitted by Lemay. He responded to those queries by updating KYC information to make those trades appear suitable, and HollisWealth continued to accept KYC updates from Lemay despite its concerns that the investments were concentrated and unsuitable.

The Hearing Panel accepted the terms of the Settlement Agreement and imposed a fine of \$130,000 and costs of \$20,000.

3 TeamMax Investment Corporation

Reasons for Decision: July 7, 2017

This case addresses deficiencies with TeamMax Investment Corporation's ("TeamMax") policies and procedures, supervisory structures and supervisory activities. TeamMax had previously been ordered by a Hearing Panel to correct some of the deficiencies in July 2014. In particular, TeamMax failed to:

- Respond or provide timely, complete or adequate responses to numerous requests by MFDA staff for information after MFDA Compliance staff conducted a Compliance Examination.
- Conduct a historical leveraging review of its leveraged client accounts to identify and correct deficiencies identified by MFDA Compliance staff.



- Implement a supervisory structure compliant with MFDA requirements and effectively discharge its supervisory obligations, contrary to MFDA Rules and Policies, and the Order of the Hearing Panel issued in July 2014.
- Regularly update its policies and procedures manual.
- Implement an adequate branch review program (the Ultimate Designated Person ("UDP") and Chief Compliance Officer ("CCO") had been responsible for performing some of the branch review functions).
- Adequately detect and query patterns in the KYC information collected from clients by three Approved Persons.
- Conduct supervision in relation to outside business activities of Approved Persons.

The Hearing Panel accepted the Settlement Agreement, and imposed a fine of \$60,000 and costs of \$10,000. The Hearing Panel also ordered that the UDP shall not be appointed as the CCO and shall not perform the day-to-day compliance duties and functions of the CCO without the prior written consent of MFDA staff.

4 Desjardins Financial Security Investments Inc.

Reasons for Decision: November 1, 2017

This case dealt with Desjardins Financial Security Investments Inc.'s ("Desjardins") failure to conduct a reasonable supervisory investigation ("RSI") of Approved Person Conrad Eagan ("Eagan"), address a conflict of interest arising from an Approved Person's activities, conduct adequate trade supervision, and handle a client complaint fairly.

Between February 2007 and October 2009, Eagan misappropriated more than \$2 million from clients of Desjardins. After discovering that Eagan had prepared Wills and accepted appointments as Estate Trustee for clients, Desjardins failed to conduct an RSI to investigate Eagan's misconduct, and conduct adequate trade supervision to prevent him from processing

unauthorized trades in client accounts. Desjardins also failed to deal fairly with a complaint from a beneficiary of the Estate of a deceased client regarding monies misappropriated by Eagan.

Desjardins obtained Eagan's commitment that he would discontinue his will preparation activities, but took no action to warn clients about his misconduct. Desjardins did not require Eagan to resign as Estate Trustee for the estates of the deceased clients or arrange for those client accounts to be transferred to another dealer.

The Hearing Panel accepted the Settlement Agreement, and imposed a fine of \$200,000 and costs of \$25,000.

5 Worldsource Financial Management Inc.

Reasons for Decision: August 2, 2017

Eagan transferred his registration from Desjardins to Worldsource Financial Management Inc ("Worldsource"). This case dealt with Worldsource's failure to conduct an RSI of Eagan after receiving a credible report that alleged Eagan engaged in misconduct.

Worldsource received a letter from Eagan's Branch Manager alleging that he engaged in unauthorized outside business activities involving will preparation and acting as an Estate Trustee for clients, processed unauthorized trades and account transfers, and engaged in unauthorized complaint handling. Worldsource failed to report these allegations to the MFDA.

Worldsource conducted a compliance audit at Eagan's branch after receiving the Branch Manager's letter, but failed to investigate some of the allegations contained in the letter. Even when the results of the audit appeared to corroborate the Branch Manager's reported concerns, Worldsource failed to conduct an RSI into Eagan's conduct.

Worldsource did not inform Eagan that he was not permitted to prepare wills for clients or act as an Estate Trustee for clients. Worldsource did not contact the clients or other individuals identified in the Branch

Manager's letter on a timely basis and did not warn them about Eagan's misconduct. Worldsource failed to determine how dormant accounts listed in the letter had been transferred to Worldsource, whether the clients had authorized the transfer of their accounts to Worldsource, and whether Eagan had settled complaints directly with clients.

The Hearing Panel accepted the Settlement Agreement, and imposed a fine of \$150,000 and costs of \$20,000.

6 Investia Financial Services Inc.

Reasons for Decision: October 30, 2017

This case addresses Investia Financial Services Inc.'s ("Investia") failure to supervise the outside activities ("OA") of four Approved Persons. Investia was previously disciplined in January 2012, in part, for similar misconduct.

In two instances, Investia permitted Approved Persons to provide, and charge fees directly to clients for financial planning services without performing the necessary due diligence required to ensure that such activities did not involve Member business or were otherwise consistent with Investia's policies and procedures and the Rules, Policies and By-law of the MFDA, including MFDA Rule 2.4.1. Letters of engagement prepared by the Approved Persons describing the financial planning services to be provided to the clients contained language that raised red flags as to the scope of the Approved Persons' activities.

Investia also failed to supervise the activities of another Approved Person after it became aware that he had altered KYC information in the clients' accounts without the clients' knowledge or authorization.

The Hearing Panel accepted the Settlement Agreement and imposed a fine of \$200,000 and costs of \$20,000.

CASE HIGHLIGHTS

APPROVED PERSON CASES

1 Scott Byron Reeves

Reasons for Decision: March 7, 2017

Reeves solicited and accepted approximately \$5,064,208 from at least three clients for investment purposes, deposited the monies into accounts he controlled, and failed to invest, return or otherwise account for these amounts. In at least 34 instances, Reeves altered void cheques and directed his Member to deposit redemptions totaling \$1,126,117 from a client's account at the Member to a bank account that did not belong to the client. Reeves misrepresented the whereabouts of the clients' investments by providing them with false, misleading or incorrect documents.

Reeves plead guilty to criminal fraud in October 2017.

The Hearing Panel imposed a permanent prohibition on conducting securities related business in any capacity, a fine of \$4,500,000 and costs of \$10,000.

2 Winston King-Loong Kuit

Reasons for Decision: April 12, 2017

In a Settlement Agreement, Kuit admitted that he recommended, sold, referred or facilitated the sale of approximately \$1.55 million in unapproved investments to seven clients, seven former clients and four other individuals outside of the facilities of the Members he was registered with. Kuit received commissions or other remuneration of approximately \$147,500 relating to the investments. Kuit misled the Member in annual

compliance questionnaires about his involvement with outside activities.

The Hearing Panel permanently prohibited Kuit from conducting securities related business in any capacity while in the employ of or associated with any MFDA Member.

This matter was handled in coordination with a proceeding by the British Columbia Securities Commission ("BCSC"). In the BCSC proceeding, Kuit entered into a Settlement Agreement agreeing to a 15 year prohibition subject to certain exceptions, disgorgement of the \$147,500 he received from the investments, and a fine of \$20,000. The MFDA agreed to forego the payment of a fine and costs on account of Kuit's Settlement Agreement with the BCSC.

3 Christine S.P.T. Scott

Reasons for Decision: April 12, 2017

In a Settlement Agreement, Scott admitted that she processed an unauthorized redemption from the client's RRSP account after receiving a fraudulent e-mail from a hacker who had gained access to the client's e-mail account. Scott requested and used a pre-signed account form to change the client's banking information with the Member, so that funds could be transferred to an out of province bank account. After discovering the fraud, the Member conducted an investigation and reversed the unauthorized redemption.

Scott failed to comply with the Member's policies and procedures which required the Approved Person to

verify the identity of the client and prohibited her from accepting trade instructions by e-mail.

The Hearing Panel accepted the Settlement Agreement, and imposed a one month suspension, a fine of \$10,000 and costs of \$5,000.

4 Anthony Ladislao Ayala

Reasons for Decision: November 16, 2017

In an Agreed Statement of Facts, Ayala admitted that he misappropriated approximately \$13,395 from dormant or inactive accounts of clients of the Member he was employed by. Ayala also admitted that he falsified client signatures on account forms in order to process a series of unauthorized transactions where monies were deposited into his personal bank accounts.

The Hearing Panel imposed a permanent prohibition on conducting securities related business in any capacity while in the employ of or associated with any MFDA Member, a fine of \$75,000 and costs of \$10,000.

5 Jason Andrew Savoy

Reasons for Decision: November 20, 2017

Savoy, a Branch Manager, entered into a Settlement Agreement in which he admitted that, without obtaining the Member's authorization, he agreed to personally reimburse a client for DSC fees the client would incur on a transaction.

Savoy also accepted cash from several clients for investment purposes, failed to process trades in client

accounts in a timely manner and, on two occasions, failed to process the transactions requested by the clients. Without the Member's approval, Savoy paid compensation to six clients for fees incurred by the client as a result of investment losses due to errors or trade delays. Savoy also made misleading statements to the Member during the course of its investigation into his conduct, and in annual compliance questionnaires.

The Hearing Panel accepted the terms of the Settlement agreement, and imposed a six month prohibition on conducting securities related business, and 5 year prohibition from acting as a branch manager or in any supervisory capacity, imposed a fine of \$25,000, costs of \$2,500, and ordered Savoy to complete an ethics course.

6 Boyd Dean Yahn

Reasons for Decision: December 6, 2017

Yahn recommended to at least 679 clients that they concentrate all or a substantial portion of their investment holdings in precious metals sector funds without adequate due diligence to assess the suitability of his investment recommendations. Yahn recorded inaccurate and uniform KYC information to ensure that his investment recommendations appeared to be suitable. He recorded that his clients had 100% high risk tolerance, 100% aggressive growth investment objectives, and good or better investment knowledge. Yahn also misrepresented and failed to adequately explain the risks and benefits of investing in precious metals sector funds.

The Hearing Panel imposed a permanent prohibition on conducting securities related business in any capacity while in the employ of or associated with any MFDA Member, a fine of \$75,000 and costs of \$10,000.

HEARINGS

CONCLUDED BY TYPE OF PRIMARY ALLEGATION

Acting Outside Registration Status

Lamarre, Stephan

Active Signature Falsification

Benoit, Edison
Boucher, Pierre
Pattison, Phillip
Romano, Romina
Singh, Sharad
Stanimirovic, Goran
Stoutley, Brianne
Xie, Yangyi
Yargeau, Martine

Conduct Unbecoming

Poggione, Paul

Conflict of Interest

Pilkey, Stephen
Shaw, Donald

Failure to Cooperate

Armani, Arash Gabriel
Dixon, Walter
McKenzie, Sherry
Phillips, Robert

Falsification/ Misrepresentation

Anders, Raymond
Careless, David
Cichello, Giuseppe
Djekic, Branislav
Doyle, Susan
Dritsoulas, Luke
Hare, Johnathan
Hennessey, David
Kumar, Annaji
Lee, Dong Hwan (Jack)
MacPherson, Jonathan
Rambarran, Mohabeer
Rousseau, Jean-Francois
Scott, Christine
Symes, Charles
Thackray, William
Tian, Bin
Tilley, Erin

Financial Requirements

International Capital
Management Inc.

Forgery/Fraud/Theft/ Misappropriation/ Misapplication

Ayala, Anthony
Dorzek, Anthony
Kuit, Winston
Kwok, Bjorn
Reeves, Scott
Solis, Timothy
Vandermey, Adam

Handling of Funds

Chiu, Peter

KYC Documentation Deficiency

Fike, Lawrence
Wray, William

Outside Activity

Boldt, Jason
Fauth, Sharon
Wemple, Paul
Young, Robert

Personal Financial Dealings

Bott, Steven
Iturralde, Mary
MacKinnon, Gerard
Mihajlovic, Gabrijela
Savoy, Jason Andrew
Wang, Dan
Wolfenden, John

Pre-Signed Forms

Ackerman, Gilbert
Adair, Mirella
Al-Bayoumi, Mohamed
Barker, Philip
Barrett, Terry
Beck, Jeffrey
Boulton, David
Burchill, Jeffrey
Catalano, Salvatore
Cheng, Raymond Kok-Leung
Cormier, Brian
Courneya, Mark
Courneya, Paul
Doyle, Andrew
Doyle, Leonard
Duffey, Jeffrey
Georgijev, Walter
Gilboord, Bruce

HEARINGS

CONCLUDED BY TYPE OF PRIMARY ALLEGATION

Gilchrist, Leslie
Gleeson, Claudette
Holowaty, John
Joudrey, Mary
Kakkar, Pragya
Lewin, Philip
Malhotra, Ravi
McBain, Larry
Mundell, Pamela
Nguyen, Thuy
Nisbet, Michael
Orfali, Paul
Owen, Dean
Pereira, Maria Dias
Peters, Laverne
Plunkett, Garth
Rice, Robert
Sharma, Amrit
Sharma, Anil Kumar
Tabalba, Camilo
Tantalo, John-Paul
Vaillancourt, Claude
Van Schothorst, Gerard
Varteresian, Peter
Werbowski, Todd
Wilson, Patricia

Referral Arrangements

Dunlop, Timothy
Monforton, Marc

Sales Communication

Burke, Gregory
Comeau, Jack
Li, Yan Feng (Frank)

Stealth Advising

Doyle, Gerald
Sukhdeo, Brian

Suitability – Investments

Curtis, James
Lemay, Roland
Morin, Todd
Singer, Christopher
Yahn, Boyd Dean

Suitability – Leveraging

White, Charles Jim

Supervision

Desjardins Inc. Financial Security Investments
Ghose, Kallol
HollisWealth Advisory Services Inc.
Investia Financial Services Inc.
IPC Investment Corporation
Professional Investments (Kingston) Inc.
Quadrus Investment Services Ltd.
TeamMax Investment Corporation
Worldsource Financial Management Inc.

Unauthorized/ Discretionary Trading

An, Christopher
Carney, James
Cummins, Deborah
Ewens, Peter
Fox-Revett, Claude
Jean, Gilbert
Mitchell, Robert
Wallace, Aubrey

GLOSSARY

Active Signature Falsification

Refers to instances in which an Approved Person or other individual signs a client's signature or initials a document in an effort to make it appear the client actually signed the document.

Approved Person

Refers to an individual who is a partner, director, officer, compliance officer, branch manager, or alternate branch manager, employee or agent of a Member who (i) is registered or permitted, where required by applicable securities legislation, by the securities commission having jurisdiction, or (ii) submits to the jurisdiction of the MFDA.

Business Standards

Refers to a breach of the high business standards required by MFDA Rule 2.1.1(b).

Canadian Securities Administrators

Refers to the umbrella organization of provincial and territorial securities regulators in Canada.

Commissions and Fees

Refers to allegations involving practices such as disclosure of commission structure and cost, and other issues such as where an Approved Person recommends a trade or multiple trades in a client's account for the purpose of generating sales commissions or otherwise creating a benefit for the Approved Person where there is little or no rationale for the trade.

Complaint Procedures

Refers to allegations involving the requirement that every Member shall establish written policies and procedures for dealing with client complaints that ensure that such complaints are dealt with promptly and fairly.

Discretionary Trading

Refers to a situation whereby a Member or Approved Person is granted authority by the client to make a trade without obtaining specific instructions from the client prior to the execution of the trade concerning

one or more elements of the trade: selection of the security to be purchased or sold, the amount of the security to be purchased or sold, and the timing of the trade. MFDA Members and Approved Persons are not permitted to engage in discretionary trading.

Falsification

Refers to the false making or alteration of a document by which the rights or obligations of another person are affected but where a person is not deprived of a property or a right.

Forgery

Refers to the creation of a false document with the intent that it be acted upon as the original or genuine document, and where the victim is deprived of property or rights.

Fraud

Refers to an act of dishonest deception, misrepresentation, or an intentional distortion of truth in order to induce another to part with something of value or to surrender a legal right.

Handling of Funds

Refers to the failure to properly handle client funds in accordance with MFDA requirements.

Know-Your-Client (KYC)

Refers to the requirement that a Member and Approved Person collect information about a client to assist in making suitable investment recommendations.

Leveraging

Refers to the practice of using borrowed money for the purpose of investing.

Member

Refers to mutual fund dealers that are Members of the MFDA.

Misapplication of Funds

Refers to situations where funds in the rightful possession of a Member or Approved Person are put to an improper purpose for the benefit of a third party.

Misappropriation

Refers to situations where a person has a right to be in possession of property but puts it to his or her own benefit.

Misrepresentation

Refers to a misstatement or omission of a material fact with the intent to deceive.

Outside Activities (OA)

Refers to any activity conducted by an Approved Person outside of the Member: (a) for which direct or indirect payment, compensation, consideration or other benefit is received or expected; (b) involving any officer or director position and any other equivalent positions; or (c) involving any position of influence.

Personal Financial Dealings (PFD)

Refers to situations in which an Approved Person or Member engages in financial activity with a client. A concern arising from this type of conduct is that conflicts of interest arise in connection with such activity. PFD can include borrowing from clients, lending to clients, and engaging in private investment schemes with clients.

Policies and Procedures

Refers to the requirement on Members to establish and maintain written policies and procedures (that have been approved by senior management) for dealing with clients and ensuring compliance with the Rules, By-laws and Policies of the MFDA, and applicable securities legislation.

Pre-Signed Form

Refers to forms that have been signed by a client when they were blank or only partially completed.

Provincial Securities Legislation

Refers to the violation of provincial securities legislation and requirements for which there is no comparable MFDA requirement.

Referral Arrangements

Refers to an arrangement whereby a Member is paid, or pays a fee for the referral of a client to, or from, another person. All referrals must go through a Member.

Sales Communications

Refers to the requirement that advertisements and sales communications must be approved by a designated partner, director, officer, compliance officer or branch manager before being issued. The rationale for this is to ensure that no misleading, inaccurate or otherwise

prohibited information is provided to a client who may act upon such information in making investment decisions.

Senior

Refers to investors 60 years of age or over.

Signature Falsification

Refers to the creation, possession, or use of documents which have been pre-signed or on which client signatures have been falsified through other means. Examples include cutting and pasting a previous signature, signing a client's name to a document, having a client sign multiple forms for use in future trading, and using liquid paper to white out old instructions and write in new ones on a signed client form.

Suitability

Refers to the requirement that recommendations made by an advisor be suitable in relation to a client's investment objectives, risk tolerance and other personal circumstances.

Supervision

Refers to the MFDA's investigation of whether a supervisory failure may have contributed to situations where an Approved Person engaged in misconduct. Supervisory failures may include inadequacy in the procedures for supervision or in the actual supervision of others.

Theft

Refers to the taking of property, not rightfully in one's possession, for personal use and exploitation.

Transfer of Accounts

Refers to the transfer of an account without proper client consent or a delay in the transfer of the account.

Vulnerable Person

Refers to investors particularly at risk due to circumstances such as language barriers, limited literacy, disability issues, or very limited financial resources.

Unauthorized Trading

Refers to the practice of a Member or Approved Person making trades without the client's knowledge or approval.

RESOURCES

Further Information

The MFDA website has additional information including with respect to the following areas:

- [Opening an Investment Account](#)
- [Protecting Yourself from Fraud](#)
- [Guide to the Hearing Process](#)
- [Penalty Guidelines](#)
- [Enforcement Hearings](#) (including [Hearings Schedule](#), [Current Cases](#), [Completed Cases](#) and [Cases Under Review/Appeal](#))
- [Hearing Procedures](#) (including [Rules of Procedure](#) and [Forms](#))
- [Related By-Law Sections](#) (Sections 18-26)
- [Enforcement Statistics](#)
- [For Seniors](#)
- [For Investors](#)

How to File a Complaint

Information on how to file a complaint about a Member or Approved Person can be found at <http://www.mfda.ca/investors/complaints.html>

Investors can complain electronically by:

 complaints@mfda.ca

 using the complaint form available on the website

 416-361-6332
(toll-free: 1-888-466-6332)

Other Resources

Ombudsman for Banking Services and Investments

Any action taken by the MFDA will not include an order that investors be compensated for any financial losses they may have suffered. Additionally, the MFDA is unable to assist clients with civil claims. Investors who wish to pursue financial compensation may wish to consult with the Ombudsman for Banking Services and Investments (www.obsi.ca or 1-888-451-4519) or a lawyer.

National Registration Search

In Canada, anyone trading securities or in the business of advising clients on such securities, including Members and Approved Persons, must be registered with the provincial or territorial securities regulator, unless an exemption applies. Check the National Registration Search to find out if an individual or firm is registered in your province or territory and what product and services a firm or individual can offer, or contact your provincial securities regulator.

Disciplined List

The Canadian Securities Administrators ("CSA") maintains a cross-jurisdictional Disciplined List, which can be used to search for any disciplinary action taken against an individual or company by a provincial securities regulator or self-regulatory organization, including the MFDA.



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Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels